



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
607 North 8th Street
BOISE, IDAHO 83702

MINUTES
OF
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:30 a.m., April 23, 2002. The following members were present:

Jody B. Olson
Dennis L. Johnson
J. Kirk Sullivan
Susan K. Simmons
Pamela I. Ahrens

Executive Director Alan H. Winkle, Deputy Attorney General Brad Goodsell, Financial Officer James Monroe, Chief Investment Officer Robert Maynard, and Management Assistant Joanne C. Ax were also in attendance. Other persons attending portions of the meeting were:

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|---------------------|--------------------------------------|
| Rod MacKinnon | Mountain Pacific Investment Advisors |
| Bruce Reeder | Mountain Pacific Investment Advisors |
| Drew Black | DB Fitzpatrick & Co. |
| Dennis Fitzpatrick | DB Fitzpatrick & Co |
| Brian McGrath | DB Fitzpatrick & Co.. |
| Robert Schmidt | Milliman USA |
| Charlie Brown | Retired Educators Assn. of Idaho |
| Geoffrey Lea | GMACCM |
| Christopher Growney | Clearwater Advisors |
| Douglas Bates | Clearwater Advisors |
| David Boren | Clearwater Advisors |
| Michael Boren | Clearwater Advisors |
| Maria Barratt | DFM |
| Richelle Sugiyama | PERSI |
| Judy Aitken | PERSI |

OLD BUSINESS

Approval of the Minutes: By motion duly made by Trustee Johnson and seconded by Trustee Ahrens, the Board unanimously approved the minutes of the March 19, 2002, regular meeting of the Retirement Board with the rewording of one sentence.

PORTFOLIO

Monthly Portfolio Mr. Maynard discussed his investment report dated April 22, 2002, which he had updated from the version previously furnished to the Board. In the report, Mr. Maynard noted that

“The story remains basically the same as was presented in the last few months: the economy has shown clear signs of recovery from what was the mildest recession in US history, and the issues now being the strength of the recovery (with most believing it will be tepid by historical standards) and corporate profits.

“Since profits have not yet responded, nor are corporate executives yet stating they see a recovery in their businesses, the markets have and will probably continue to trend around current levels with some volatility.

“Emerging markets, international equity, real estate, and TIPS have been the best performing markets, while large cap US equities are having the greatest recent difficulties. Columbus Circle is still struggling. Scudder, Mountain Pacific, Tukman, and the emerging markets managers are showing the greatest recent outperformance.

“ All managers are either within their expected characteristics or have reasonable explanations for slight deviations. We continue to watch developments with Columbus Circle and the Deutsche Bank/Scudder transition (including the accusation by Walter Hewlett concerning the Deutsche Bank voting of proxies).”

Mr. Maynard’s report stated the current value of the fund as of April 22 2002 as \$6,682,523,280. The fiscal year-to-date return percentage is negative 1.6% and the month-to-date returns are 0.3%.

There was discussion regarding investment manager Columbus Circle. Mr. Maynard and his staff will begin the process of terminating the manager. As noted in the CIO report, Mr. Maynard continues to watch the Deutsche Bank/Scudder transition carefully. A search for a global manager continues.

Plans for the May 14-15 Investment Conference are being completed. Notices have been sent to PERSI members; there is room for those interested to observe at the Alan Noble Hall of Fame Gallery on the BSU campus. There will be a public panel with a question and answer opportunity at the luncheon sponsored by the City Club on the second day. Mr. Maynard will provide a memo to the Board regarding the topics that will be discussed.

Mr. Maynard said if the fund reaches the \$7 billion mark by June 30, 2002 we will be under the 25-year amortization cap. He reviewed the performance of the managers in detail saying that while we are invested in TIPS for diversification, they are adding to the performance numbers.

Clearwater Investment Advisors: Mr. Maynard introduced the representatives of Clearwater Investment Advisors who have been hired as a cash manager. Mr. Maynard had previously provided a memorandum dated April 16, 2002 to the Board which outlined the cash management process. David and Michael Boren provided details on their company, the background of their staff and their PERSI mandate. Mr. Maynard said the reports provided by the firm will be used as a check, but we will continue to get reports from Mellon. Responding to a question from the Chair, Mr. Boren said Clearwater Investment Advisors is separate from Sawtooth. By motion duly made by Trustee Johnson and seconded by Trustee Sullivan, the Board unanimously approved the hiring of Clearwater Investment Advisors.

Other Investment Business: Chairman Olson opened the floor to comments from managers who were attending the meeting. Inflation continues to be a concern with focus on corporate earnings. While corporations are meeting expectations, those expectations are very low. Doug Bates told the Board that when he worked at Goldman Sachs four factors which were closely monitored were oil, Federal Reserve Board trends, housing starts and sales and business inventories. He said those are still good indicators of the business climate.

FISCAL

Expense Reports: Financial Officer James Monroe reviewed the Administrative and Portfolio expense reports for the month ended March 31, 2002, which had previously been furnished to the Board. He also discussed the Out-of-State Travel report, saying the IT training for Boylan and Fereday failed to note that Ms. Fereday stayed a full week for training while Ms. Boylan returned after three days of training. The report included the training costs in addition to travel expenses.

EXECUTIVE DIRECTOR

New Employers: By motion duly made by Trustee Sullivan seconded by Trustee Simmons and unanimously approved, the Board welcomed the Dalton Gardens Irrigation District as a new employer with an effective date of May 1, 2002. There are no entry costs for this employer to join PERSI.

DC Plan Education Program: Communications Officer Becky Reeb reviewed her April 16, 2002 memorandum to the Board which had previously been provided to them. The PERSI education philosophy is to increase the member knowledge of the PERSI Base and Choice Plans and to provide members with a strong foundation for personal financial and retirement planning. She reported that about 30% of PERSI members are participating in either a 457,403(b) or 401(k) plan in addition to their mandatory PERSI Base Plan contributions. She discussed both the goals of the education program, the strategy, results-to-date and challenges. PERSI staff members are working with employers who currently do not offer voluntary contributions to the Choice plan because of electronic transmission challenges. An internet-based program is in the testing phase and will be available soon to all our member employers. Training specialists Bill Duncan and Maxine Thomas then presented a shortened version of the educational seminar for the Board. At the conclusion of the presentation, Mr. Winkle told the Board that Payette County will be moving their current 401(k) into the Choice 401(k) in a couple of months. This will bring about \$665,000 and 105 additional members to the Choice plan.

Status Update: The Board had previously received the monthly status memo that summarized the projects in which PERSI is involved. A presentation from the IT department is scheduled for the May Board meeting.

By motion duly made by Trustee Sullivan, seconded by Trustee Johnson and unanimously approved, the Board amended Board Order 94-16 with Order 02-01 which authorizes the Executive Director to delegate to the Deputy Director specific duties when the Executive Director is absent.

The Board directed Executive Director Winkle to respond to the letter from member Mark Taylor which the Board received at the last meeting. The letter appears to be an appeal of a staff decision; if that is the case, the Administrative Procedures process should be followed. Mr. Winkle will write to Mr. Taylor to clarify his intention and provide the Administrative Rule process information.

Mr. Winkle outlined the topics for coming meetings saying a series of tutorials and discussions on contribution rates is planned. He will be speaking at a conference June 2-4 in Florida and said Board members are welcome.

Looking forward, Chairman Olson noted that he expects about ten of the monthly PERSI meetings each year to require a time commitment of about three hours, with the December and July meetings somewhat shorter. In addition, he encouraged each trustee to attend at least one or two conferences on pension issues during the year

FUTURE BOARD MEETINGS

May 14, 15 – PERSI Investment Conference

Tuesday, May 28, 2002, 8:30 a.m., Boise - PERSI office

Tuesday, June 25, 2002, 9:30 a.m., at

The Coeur d'Alene Resort, Coeur d'Alene, Idaho

Tuesday, July 23, 2002, 8:30 a.m., Boise - PERSI office

Adjournment: After discussion of the travel arrangements for the June meeting in Coeur d'Alene, there being no further business to conduct, by motion duly made by Trustee Johnson, seconded by Trustee Simmons and unanimously approved, the meeting was adjourned at 10:58 a.m.

Jody B. Olson
Chairman

Alan H. Winkle
Executive Director